

## MEMORANDUM

DATE: November 5, 2012

TO: The Board of Supervisors

FROM: Robert Middaugh

SUBJECT: Compensation Plan

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### Background

Earlier in the year, the Board had a brief conversation about providing a bonus for County employees if sufficient fiscal year-end resources were available. After addressing several items, such as our reserve for fiscal liquidity and health insurance, there is approximately \$1.5 million in undesignated general funds.

The following proposal outlines a multi-year approach to address a bonus, the planned FY 14 raise and a compensation study along with items for BOS feedback is desired.

### For current year FY 2013:

- Set aside \$750,000 from the capital reserve fund as a carryover to assist in addressing budgetary issues next fiscal year
- Apply the remaining \$750,000 to fund both a bonus for employees as well as to pay the cost of the compensation study, which we also have discussed

### Bonus

In the last fiscal year, the Board authorized an across the board one-time bonus of \$1,000 to full-time eligible employees and a \$500 bonus for part-time employees. The funds available would support the same program if desired by the Board. Likewise, any bonus up to that amount would be supportable. If the Board authorizes another bonus, I would suggest the same across the board approach so as to provide the most benefit to our lower paid employees.

A \$1,000 bonus would cost the general fund approximately \$600,000 and will come from under-spending of County budgets. This would include the CCC and Housing and Community Development staff, as their respective funds do not have sufficient resources to absorb the cost. The Library, JCSA, and Social Services would pay the expense for their employee bonuses out of their own funds at approximately \$200,000 total.

If the Board's consideration of a bonus in this fiscal year would in any way jeopardize the potential of a base salary increase for County employees next year, I would not support a bonus at this time. A permanent salary increase is a much higher priority for me.

In previous discussions, School salaries were discussed together with County employee salaries for potential adjustment. My recollection is that the Schools were discussed in the context of trying to provide both the County and School employees a permanent raise in this fiscal year, not a bonus. We have estimated the cost of providing both County and School employees a permanent raise of 2% in this fiscal year (this is the number that was raised in conversation) and we do not have the resources available in the current budget to be able to fund that amount. The Schools have identified a permanent raise of 2.5% as a priority for their FY 14 budget. Unlike the County's planned salary increase, which is included in the budget, this amount for the schools is not yet funded in the FY 14 budget. I would agree with the School Division that this is an important expenditure to address in FY 14 and will be one that we strive to include in our funding requests.

The School Division anticipates year-end savings of approximately \$1.2 million which, if they wish to and with the concurrence of the County and the City, can be used for an employee bonus. It is about \$.5 million short of matching the amount of the County's proposed bonus. This is not as high a priority to the Schools as the FY 14 permanent raise.

### **Compensation Study**

In background work on the compensation study, our Human Resource Department has identified a number of communities that have recently completed studies. The County should anticipate a cost of approximately \$100,000 for a study covering the scope discussed with the Board.

In the timing for the compensation study, I would suggest that it commence in early 2013 with the expectation it will take approximately one year to complete. The results of the compensation study would be available to the Board for potential implementation in fiscal year 2015 and after. Typically after a prolonged period of time without compensation plan adjustments, compensation studies will identify a variety of market and internal salary inequities that I believe you will want to address over the next several years.

### **For FY 2014:**

Implementation of the budgeted 3% raise is of critical importance to the County on July 1, 2013. From our perspective as an employer to our ability to continue to provide excellent services to our community, following through with this raise is important. As long as the State does not throw us any new curves, we should have sufficient growth in our revenues in FY 14 to support the County and the School compensation adjustments.

### **Summary**

This memorandum is a preamble for the November 27 work session discussion on these matters. I will share our research on the topics for that meeting. We believe that there is clear evidence to support the various proposals.

Specifically I will be looking for Board guidance on the items below. Does the Board:

1. Support a bonus for the current FY 2013 and if so, in what amount?
2. Support a base pay increase in FY 2014 whether or not a bonus is awarded in FY 2013?
3. Support a compensation study beginning in FY 2013?
4. Support considering implementing the results of a compensation study in FY 2015 and after?

As you know, I have been getting around visiting all of our employees over the past few months. I am well along in that process and one of the things that I have learned is that employee compensation is without question the dominant concern they have. The July 1 permanent raise is a higher priority to the employees than a bonus. While a bonus would be both well received and deserved, if the bonus complicates the Board's implementation of the raise, I would support the permanent raise as our priority to achieve.

Please feel free to call me if you have any questions.